



LODI CITY COUNCIL

Carnegie Forum

305 West Pine Street, Lodi

"SHIRTSLEEVE" SESSION

Date: June 3, 2008

Time: 7:00 a.m.

For information regarding this Agenda please contact:

Randi Johl

City Clerk

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Informal Informational Meeting

A. Roll Call by City Clerk

B. Topic(s)

B-1 Presentation Regarding Community Development Block Grant Entitlement Process (CD)

C. Comments by Public on Non-Agenda Items

D. Adjournment

Pursuant to Section 54954.2(a) of the Government Code of the State of California, this agenda was posted at least 72 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day.

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Community Development Block Grant Entitlement Process

MEETING DATE: June 3, 2008

PREPARED BY: Community Development Department

RECOMMENDED ACTION: Receive presentation from staff regarding the Community Development Block Grant (CDBG) Entitlement process.

BACKGROUND INFORMATION: Lodi is currently considering its options for receiving Community Development Block Grant (CDBG) funding, which may be received as a pass-through from San Joaquin County or directly from the US Department of Housing and Urban Development (HUD). This report considers the current status of funding, benefits and drawbacks to each approach, and a proposed calendar for a transition.

Lodi currently receives housing and community development funds through San Joaquin County (SJC), which distributes a portion of its HUD funding each year. SJC currently provides approximately \$715,000 in CDBG funds and \$265,000 in HOME Investment Partnerships Program funds. Since 1985, the City has entered into an agreement with SJC to participate in the Urban County, which allows the County to receive funding based on Lodi's demographics. The County, using a formula that accounts for population and poverty, determines the amount of funding available for Lodi to use toward projects within its boundaries. The County also allows the City to use income gained from previous projects (e.g., housing rehabilitation loan payoffs), known as program income, to fund various programs and projects.

SJC, as the HUD grantee, is responsible for allocating all funds and ensuring the projects meet all federal requirements. The County generally charges approximately 6 percent of the grant amount to provide administration oversight, and allows the City to allocate a maximum of 14 percent to administering projects. The County provides assistance in planning and reporting, financial functions, and labor standards compliance, as well as manages the housing rehabilitation and first-time homebuyer programs.

Lodi currently meets the population requirement to become a CDBG entitlement, and would be eligible to receive funding directly from HUD. However, the City may not void its agreement with SJC during the agreement term, which expires on September 30, 2008. The City can elect not to continue receiving CDBG and HOME funds through the Urban County entitlement for the 2009 federal fiscal year (October 1, 2008 – September 30, 2009). Staff would have to notify the County and HUD of its withdrawal from the Urban County for FFY 2009 in June 2008. Lodi would most likely begin receiving CDBG funds as an entitlement on July 1, 2009.

APPROVED: _____
Blair King, City Manager

In determining whether or not to pursue entitlement status, there are a number of considerations, which are discussed below.

HOME FUNDS

The City would not qualify as a HOME participating jurisdiction, and would not be able to receive HOME funds annually based on a formula allocation. (Based on an estimate of the City's population, poverty levels, and rental housing with significant deficiencies, the City would receive approximately \$400,000 in HOME funding. The minimum amount needed to qualify for a formula allocation is \$500,000.) If the City elects not to renew its agreement with the Urban County, there are two options that the City has for receiving HOME funding:

1. Participate in a HOME Consortium with the cities and unincorporated areas of SJC (excluding Stockton). This would be similar to the HOME funding structure that exists currently, but would require that Lodi and SJC agree to participate in the Consortium. SJC has not expressed interest in creating a Consortium, but without an Urban County or Consortium agreement, SJC would not continue to receive funding based on Lodi's population, poverty, and housing indicators.

Pros: Freedom to develop innovative programs and direct funding to projects most important to the City. City could maintain its current programs, and continue to allow SJC staff to implement them.

Cons: May not receive a large allocation from the Consortium. Funding major projects may be difficult. SJC may not be willing to pursue Consortium formation.

2. Apply to the California Department of Housing and Community Development (HCD) for HOME funding on an annual basis. In the event that the City did not participate in a HOME Consortium, Lodi's preliminary allocation would be transferred to the state, and Lodi would be eligible to apply for the HCD-administered programs. Community housing development organizations (CHDOs) would also be allowed to apply for funding for projects in Lodi. Recent HOME program limits have been \$800,000 for programs (first-time homebuyer assistance and housing rehabilitation) and up to \$5 million for some rental housing development projects. Applications for funding are ranked competitively; some years are very competitive, others less so. In general, Lodi would be competitive and would have a good chance at winning funding.

Pros: Funding amounts available may be significantly larger than those available through Consortium allocation. May encourage CHDOs to consider Lodi for affordable housing projects.

Cons: Funding is competitive, and some years Lodi may not receive any funding. Programs and projects are limited by HCD's program guidelines, which may limit creativity. Programs and projects currently funded using HOME dollars may not be competitive. Housing rehabilitation and first-time homebuyer programs may require the City to hire staff or a consultant for implementation.

PROGRAM INCOME

Lodi has program income from both the CDBG and HOME programs. Currently, as the administering body of each program, SJC retains discretion and responsibility for the use of CDBG and HOME funding, including all program income. The County would continue to collect program income on any program or project funded within Lodi before the City became an entitlement. The County could transfer program income earned from CDBG activities undertaken within city boundaries to Lodi's new entitlement

program, although it is not required and the benefit to SJC in doing so is unclear. This is one of several issues that would be negotiated with SJC.

The City would need to negotiate with SJC on the use of CDBG and HOME program income. If the County does not agree to transfer program income, any CDBG program income would likely need to be committed to current projects and fully expended before or shortly after the City leaves the Urban County. HOME program income would likely continue to be available to the City if a Consortium were formed, although the County would retain discretion over its expenditure. In the event that the City does not become part of a HOME Consortium, program income from HOME-funded programs and projects would probably not be available to the City.

ANALYSIS

Becoming an entitlement would have both benefits and drawbacks for the City. As an entitlement, Lodi would most likely receive a similar amount of CDBG funding, as the County calculates City funding using a formula very similar to the formula HUD uses. Lodi may gain additional freedom in managing and operating its programs, including the ability to fund some programs the SJC has been unwilling to support. The City would be able to allocate the full 20 percent of its grant amount for administration expenses, although there would also be new administrative requirements, such as the production of a five-year plan, annual spending plan, and annual performance report. The City may also incur additional expense in setting up tracking systems, finance procedures, etc.

If Lodi becomes an entitlement, the City may see its HOME dollars increase or decrease, depending on a variety of circumstances. It is possible that the City would lose access to the income potential of its extensive loan portfolio, which provides significant ongoing funding to housing rehabilitation and first-time homebuyer assistance programs. However, it is also possible that the City could qualify for larger amounts of HOME funding through the state, and this would encourage new affordable housing construction.

Overall, determining what would happen with HOME funding will probably play a major part in the City's decision on whether or not to become an entitlement. It may be worthwhile to discuss with SJC the City's consideration of entitlement status to ascertain whether the County would be interested in forming a HOME Consortium and to explore the program income issues.

ALLOCATIONS VIA SJC		ALLOCATIONS VIA ENTITLEMENT	
SJC Allocation:	\$3,517,106	Lodi Allocation:	\$800,000 (est)
SJC Program Admin (6%)	\$ 211,026	Lodi Program Admin (20%)	\$160,000
Lodi Allocation:	\$ 692,597	Funding Available for Projects	\$640,000
Lodi Program Admin (14%):	\$ 96,963		
Funding Available for Projects:	\$ 595,634		

PROPOSED CALENDAR

The proposed calendar reflects the City's commitment to participating in the Urban County through FFY 2008, which ends September 30, 2008. There is a discrepancy between the federal fiscal year, on which the agreement is made, and the funding availability, which runs on a July 1 – June 30 fiscal year. FFY 2008 funds are used by the Urban County for the period July 1, 2008 through June 30, 2009. It is not clear whether the City would have access to these funds throughout FY 2008-09. Further conversation with SJC and a HUD representative could clarify this issue.

The City would have the option of running its CDBG program on the calendar year or the fiscal year. However, HUD strongly recommends using the fiscal year, as this is consistent with the City's budget year, and allows adequate time for federal budget approval delays in Washington. Therefore, the proposed calendar is for an entitlement program beginning July 1, 2009.

Mid 2008	Open discussions with SJC and HUD on Lodi's plan to become a CDBG entitlement; discuss the possible formation of a HOME Consortium
June 13, 2008	Notify HUD of intent to participate in HOME program as a Consortium (if applicable)
June 13, 2008	Notify SJC and HUD of plan to terminate cooperation agreement for FFY 2009
June 30, 2008	Submit all required HOME Consortium documents to HUD (if applicable)
Late 2008	Set up meeting with HUD staff to go over entitlement process
January 1, 2009	Begin Consolidated Plan and Action Plan process
January 2009	Collect data for Housing and Community Needs Assessment; prepare draft Citizen Participation Plan
Mid-January 2009	City Council explanation of Consolidated Plan and Action Plan development process and get input on funding priorities; Council approval of draft Citizen Participation Plan
Late January 2009	Hold public meetings to gather input on community needs and funding priorities; survey local service providers
February 2009	Develop Strategic Plan component of Consolidated Plan
February 1, 2009	Release and advertise applications for CDBG funding
Early March 2009	Applications for public services, housing, and public improvements project due
Mid-March 2009	Review of applications and staff recommendation preparation
Late March 2009	City Council adoption of Citizen Participation Plan and approval of draft Consolidated Plan and Action Plan for public review
April 1 - May 1, 2009	Consolidated Plan and Action Plan public review period
Early May 2009	City Council adoption of Consolidated Plan and Action Plan

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May 15, 2009	Consolidated Plan and Action Plan due to HUD
June 2009	Preparation of programs and agreements for 2008-09 year
June 15, 2009	HUD review of Consolidated Plan and Action Plan complete
July 1, 2009	CDBG funds available
July 1, 2010	Goal for closeout of all CDBG activities funded by SJC

FUNDING AVAILABLE: N/A

Joseph Wood
Community Improvement Manager
Community Development Department